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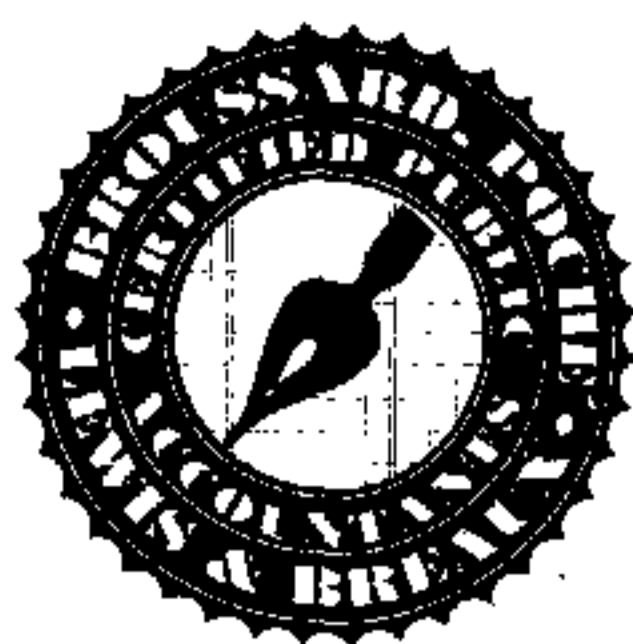
ACADIA-ST. LANDRY HOSPITAL
SERVICE DISTRICT
FINANCIAL REPORT
JUNE 30, 2002

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/5/03

CONTENTS

	Page
INDEPENDENT AUDITORS REPORT ON THE FINANCIAL STATEMENTS	1
FINANCIAL STATEMENTS	
Balance sheets	2
Statements of revenues and expenses	3
Statements of changes in fund balance	4
Statements of cash flows	5
Notes to financial statements	6-12
INDEPENDENT AUDITORS REPORT ON THE SUPPLEMENTARY INFORMATION	13
SUPPLEMENTARY INFORMATION	
Schedule of patient service revenues	14
Schedule of other operating revenues	15
Schedule of operating revenue and expenses	17
Schedule of departmental direct operating revenues and expenses	18 and 19
Schedule of departmental direct and general operating expenses	20-23
Schedule of board fees	24
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	25 and 26
Schedule of findings and questioned costs	27 - 32
Schedule of prior year findings	33 and 34



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INDEPENDENT AUDITORS REPORT

To the Board of Commissioners
Acadia-St. Landry Hospital Service District
Church Point, Louisiana

We have audited the accompanying general purpose financial statements of Acadia-St. Landry Hospital Service District as of June 30, 2002 and 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Acadia-St. Landry Hospital Service District as of June 30, 2002 and 2001, and the results of its operations, and cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated December 12, 2002, on our consideration of Acadia-St. Landry Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Broussard, Poche', Lewis & Breaux, L.L.P.

Crowley, Louisiana
December 12, 2002

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

BALANCE SHEETS
June 30, 2002 and 2001

	2002	2001
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 430,956	\$ 1,295,090
Certificates of deposit	1,395,991	1,329,602
Patient accounts receivable, net of estimated uncollectibles of \$290,538 and \$264,000 for 2002 and 2001, respectively	865,986	695,739
Inventories	112,911	101,155
Prepaid expenses	34,983	23,018
Estimated third-party payor settlements	911,465	341,803
Other receivables	25,523	142,855
Total current assets	\$ 3,777,815	\$ 3,929,262
FIXED ASSETS		
Property, plant, and equipment, at cost, less accumulation depreciation of \$2,539,107 and \$2,388,315 for 2002 and 2001, respectively	1,855,478	1,930,255
OTHER ASSETS		
Investment in joint venture	84,426	19,290
Total assets	\$ 5,717,719	\$ 5,878,807
LIABILITIES AND FUND BALANCE		
CURRENT LIABILITIES		
Accounts payable	\$ 1,287,519	\$ 1,129,059
Accrued expenses	235,159	214,176
Capital lease payable - current	17,182	17,311
Total current liabilities	\$ 1,539,860	\$ 1,360,546
LONG TERM LIABILITIES		
Capital lease payable	23,367	-
Total liabilities	\$ 1,563,227	\$ 1,360,546
FUND BALANCE		
Contributed capital	\$ 174,330	\$ 174,330
Unrestricted fund balance	3,980,162	4,343,931
Total fund balance	\$ 4,154,492	\$ 4,518,261
Total liabilities and fund balance	\$ 5,717,719	\$ 5,878,807

See Notes to Financial Statements.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

STATEMENTS OF REVENUES AND EXPENSES
Years Ended June 30, 2002 and 2001

	2002	2001
Operating revenues:		
Net patient service revenue	\$ 7,471,376	\$ 6,617,081
Ad valorem taxes	172,377	140,211
Other operating revenues	135,001	288,320
Total operating revenues	<u>\$ 7,778,754</u>	<u>\$ 7,045,612</u>
Operating expenses:		
Salaries and wages	\$ 2,390,310	\$ 2,019,628
Professional services	785,999	773,238
Other departmental expenses	4,568,485	4,215,343
Interest expense	3,672	1,386
Depreciation and amortization	223,531	191,038
Provision for uncollectible accounts	433,175	439,068
Total operating expenses	<u>\$ 8,405,172</u>	<u>\$ 7,639,701</u>
Deficiency of operating revenues over operating expenses	<u>\$ (626,418)</u>	<u>\$ (594,089)</u>
Non-operating revenues(expenses):		
Net income from joint venture	\$ 181,816	\$ 32,787
Loss on sale of fixed asset	(1,233)	-
Investment income	82,066	111,007
Total non-operating revenues	<u>\$ 262,649</u>	<u>\$ 143,794</u>
Deficiency of revenues over expenses	<u><u>\$ (363,769)</u></u>	<u><u>\$ (450,295)</u></u>

See Notes to Financial Statements.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

STATEMENTS OF CHANGES IN FUND BALANCE
Years Ended June 30, 2002 and 2001

	2002	2001
	<u> </u>	<u> </u>
Fund balance, beginning	\$ 4,343,931	\$ 4,794,226
Deficiency of revenues over expenses	<u>(363,769)</u>	<u>(450,295)</u>
Fund balance, ending	<u>\$ 3,980,162</u>	<u>\$ 4,343,931</u>

See Notes to Financial Statements

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (626,418)	\$ (594,089)
Interest expense considered capital financing activity	3,672	1,386
Ad valorem taxes considered financing activity	(172,377)	(140,211)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation and amortization	223,531	191,038
Provision for bad debts	433,175	439,068
(Increase) decrease in assets:		
Patient accounts receivable	(603,421)	(174,281)
Inventories	(11,756)	(769)
Prepaid expenses	(11,965)	7,836
Estimated third-party payor settlements	(569,662)	(138,352)
Other receivables	117,334	(99,533)
Investment in joint venture	(65,136)	(12,950)
Increase in liabilities		
Accounts payable	158,457	417,978
Accrued expenses	<u>20,983</u>	<u>40,289</u>
 Net cash used by operating activities	 <u>\$ (1,103,583)</u>	 <u>\$ (62,590)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Ad valorem taxes	<u>\$ 172,377</u>	<u>\$ 140,211</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Interest expense	\$ (3,672)	\$ (1,386)
Payments for the purchase of property and equipment	(73,437)	(59,355)
Proceeds from the sale of property and equipment	1,000	-
Principal payments under capital lease obligations	<u>(54,312)</u>	<u>(18,005)</u>
 Net cash used by capital and related financing activities	 <u>\$ (130,421)</u>	 <u>\$ (78,746)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	\$ 82,066	\$ 111,007
Income from joint venture	181,816	32,787
Purchase of certificates of deposit	<u>(66,389)</u>	<u>(624,742)</u>
 Net cash used by investing activities	 <u>\$ 197,493</u>	 <u>\$ (480,948)</u>
 Net decrease in cash and cash equivalents	 <u>\$ (864,134)</u>	 <u>\$ (482,073)</u>
 Cash and cash equivalents, beginning	 <u>1,295,090</u>	 <u>1,777,163</u>
 Cash and cash equivalents, ending	 <u>\$ 430,956</u>	 <u>\$ 1,295,090</u>
 SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES:		
Fixed assets purchased with capital leases	<u>\$ 77,552</u>	<u>\$ -</u>

See Notes to Financial Statements.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Acadia-St. Landry Hospital Service District (the "Hospital Service District") was established in 1967, by the Acadia and St. Landry Parish Police Juries, by virtue of the authority of Louisiana Revised Statutes (R.S.) 46:1051 et seq. The purpose of the Hospital Service District is to provide health services to Acadia and St. Landry parishes. The Board of Commissioners is appointed by the Acadia and St. Landry Parish Police Juries.

The Hospital Service District is not considered a component unit of the Acadia or St. Landry Parish Police Juries due to the fact that they do not meet the established criteria as provided in GASB Statement No. 14, *The Financial Reporting Entity*. These criteria include financial accountability by the Police Juries or the ability to impose their will on the Hospital Service District by significantly influencing the programs, projects, activities, or level of services performed or provided by the Hospital Service District, and the existence of a financial benefit or burden.

The accompanying financial statements of the Hospital Service District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Hospital Service District are described below:

Method of accounting:

The Hospital Service District utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual method. The Hospital Service District's accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the *Louisiana Governmental Audit Guide*, and the *Audit and Accounting Guide – Health Care Organizations*, published by the American Institute of Certified Public Accountants, and standards established by the Governmental Accounting Standards Board (GASB), which is the accepted standard body for establishing governmental accounting and financial reporting principles.

Accounting Standards:

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Net patient revenue:

The Hospital Service District has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments.

Net patient revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Inventories:

Inventories are valued at the latest invoice price which approximates the lower of cost (first-in, first-out method) or market.

Property, plant, and equipment:

Property, plant, and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of each class of depreciable assets. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. The following estimated useful lives are generally used:

Building and improvements	15 – 50 years
Equipment	3 – 20 years

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allowance for uncollectible accounts:

The Hospital Service District uses the allowance method of recognizing the cost for bad debts. This method provides an estimate of the loss that is applicable to current year revenue, and any adjustment in previous estimates of prior year losses that may be applicable to accounts still remaining on the books.

Cash and cash equivalents:

For purposes of reporting cash flows, the Hospital Service District considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Income taxes:

The Hospital Service District is a political subdivision and exempt from taxes.

Advertising:

The Hospital Service District expenses advertising cost as incurred. Advertising expense for the years ended June 30, 2002 and 2001, totaled \$21,026 and \$12,030, respectively.

Reclassifications:

To be consistent with current year classifications, some items from the previous year have been reclassified with no effect on operating income (loss).

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Net Patient Service Revenue

The Hospital Service District has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- **Medicare** – Inpatient acute care services (and related capital costs) rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. Acute care service rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient psychiatric services, swing bed services, and certain outpatient services related to Medicare beneficiaries are paid based on a cost reimbursement methodology, while other outpatient services are reimbursed on a fee schedule. The Hospital Service District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital Service District's Medicare cost reports have been settled by the Medicare fiscal intermediary through June 30, 2000.
- **Medicaid** – Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per day. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, subject to certain limits, while other outpatient services are reimbursed on a fee schedule. The Hospital Service District is reimbursed for outpatient services at an interim rate with final settlement determined after submission of annual cost reports by the Hospital Service District and audits thereof by the Medicaid fiscal intermediary. The Hospital Service District's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through June 30, 2000.

The Hospital Service District received disproportionate share payments for uncompensated care cost of approximately \$3,962,085, from fiscal year 1996 through 2002. These payments were based on estimated uncompensated care cost and are subject to audit and settlement. As of June 30, 2002, management has estimated no reserve liability for the possible recoupment of these disproportionate share payments. To the extent management's estimate differs from actual results, the differences will be used to adjust income for the period when such differences arise.

During the years ended June 30, 2002 and 2001, approximately 85.79% and 86.24% respectively, of the Hospital Service District's gross patient service revenues were furnished to Medicare and Medicaid beneficiaries. Law and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the near term. As a result of retroactive adjustments of certain prior year uncompensated cost reports, the Hospital Service District recorded changes in estimates resulting in an increase/(decrease) in net patient service revenues of approximately \$6,739 and (\$245,000), during the years ending June 30, 2002 and 2001 respectively.

The Hospital Service District has entered into payment arrangements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital Service District under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined rates.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 3. Bank Deposits and Investments

For reporting purposes, cash and cash equivalents include demand deposits and certificates of deposit. Cash and cash equivalents as of June 30, 2002, include demand deposits of \$226,457 and certificates of deposits of \$204,499. At June 30, 2002, the carrying value of the Hospital Service District's cash deposits, including demand deposits and certificates of deposit, totaled \$1,826,947 and the bank balance totaled \$1,969,255. Of the balance, 220,187 was covered by Federal Deposit Insurance Corporation (FDIC) coverage and \$1,749,068, was covered by collateral held by the custodial bank in the bank's name (category III).

Note 4. Joint Venture

In July 1999, the Hospital Service District entered into a joint venture with Acadian Homecare, Inc., to form Acadia-St. Landry Hospital Home Health, L.L.P. in order to provide home health services to the patients of the Hospital Service District. The Hospital has a 50% participation in the joint venture. The Hospital Service District's equity interest in the joint venture was \$84,426 and \$19,290 at June 30, 2002 and 2001, respectively. The Hospital Service District leased office space, furniture, fixtures, and equipment to the joint venture for \$31,260 in 2002 and 2001. Complete financial statements for the joint venture can be obtained upon request.

Note 5. Property, Plant, and Equipment

A summary of property, plant, and equipment follows:

	<u>2002</u>	<u>2001</u>
Buildings and improvements	\$2,549,139	\$2,586,573
Chapel	8,372	8,372
Equipment	1,717,047	1,603,600
Land	<u>120,025</u>	<u>120,025</u>
Total property, plant, and equipment	\$4,394,583	\$4,318,570
Less: accumulated depreciation	<u>(2,539,135)</u>	<u>(2,388,315)</u>
Net property, plant, and equipment	<u>\$1,855,448</u>	<u>\$1,930,255</u>

Depreciation expense for the years ended June 30, 2002 and 2001, amounted to \$223,531 and \$191,038, respectively.

Note 6. Ad Valorem Taxes

On October 3, 1992, the taxpayers of the Hospital Service District approved a 7.67 mill tax for a ten year period for the purpose of acquiring, constructing, improving, maintaining, and operating the hospital facilities, which will run through the year 2002. In April 2002, the 7.67 mill tax was renewed for a ten year period which will end in 2012.

The Hospital Service District's property tax is levied by the parish on the taxable real property in the district in late October of each year. Bills are sent out in November of each year, at which time the Hospital Service District records the tax revenue, and become a lien in the following March. The collection period for the Hospital Service District's property taxes is from December (at which time they become delinquent) to the succeeding May.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Concentrations of Credit Risk

The Hospital Service District grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2002 and 2001, was as follows:

	<u>2002</u>	<u>2001</u>
Medicare	46.4%	54.7%
Medicaid	18.5%	14.5%
Other third-party payors	25.0%	21.4%
Patients	<u>11.5%</u>	<u>9.4%</u>
Totals	<u>100.0%</u>	<u>100.0%</u>

Note 8. Deferred Compensation

The Hospital Service District has a deferred compensation plan covering all employees pursuant to Section 457 of the Internal Revenue Code of 1986, as amended. Employees can contribute a maximum of 25% of gross wages and the Hospital Service District will match half of the employees' contribution, up to 5%. Total deferred compensation plan expense for the years ended June 30, 2002 and 2001, was \$17,598 and \$24,250, respectively.

Note 9. Compensated Absences

Full-time employees accrue four (4) hours of vacation per pay period, while part-time employees accrue four (4) percent of total hours worked per pay period.

Full-time employees also accrue four (4) hours of vacation each year, for every year of service to the Hospital Service District. Part-time employees are not subject to this additional vacation time.

Accrued compensated absences at June 30, 2002 and 2001, totaled \$144,625 and \$128,398, respectively.

Note 10. Capital Leases

The assets acquired through capital leases are as follows:

IBM AS/400 computer system	\$ 24,387
Laboratory clinical software	17,975
Stress test machine	<u>16,245</u>
Total	\$ 58,607
Less: Accumulated Depreciation	<u>8,736</u>
Net cost of leased equipment at June 30, 2002	<u>\$ 49,871</u>

A summary of capital lease obligations at June 30, 2002, follows:

Capital lease obligations, with interest rates of 5.19% to 9.93%, at June 30, 2002	\$ 40,549
Less: Current portion of capital lease obligations	<u>17,182</u>
Capital lease obligations, excluding current portion	<u>\$ 23,367</u>

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2002, were as follows:

Years Ending <u>June 30,</u>	IBM AS/400 Computer System	Clinical Software	Stress Test Machine
2003	\$ 5,523	\$ 7,661	\$ 6,287
2004	5,523	1,277	6,287
2005	5,523	-	-
2006	5,523	-	-
2007	<u>920</u>	<u>-</u>	<u>-</u>
Subtotals	\$ 23,012	\$ 8,938	\$ 12,574
Less: Amounts representing interest	<u>2,280</u>	<u>483</u>	<u>1,212</u>
Present value of minimum lease payments	<u>\$ 20,732</u>	<u>\$ 8,455</u>	<u>\$ 11,362</u>

Note 11. Operating Leases

The Hospital Service District leases various equipment under operating leases expiring at various dates through 2007. Total rental expense for the years ended June 30, 2002 and 2001, for all operating leases was approximately \$174,135 and \$154,070, respectively.

The following is a schedule by year of future minimum lease payments under operating leases that have initial or remaining lease terms in excess of one year:

Years Ending <u>June 30,</u>	<u>Amount</u>
2003	\$ 106,599
2004	62,599
2005	58,896
2006	50,366
2007	<u>12,279</u>
Total	<u>\$ 290,739</u>

Note 12. Estimated Third-Party Settlements

The following is a schedule of estimated third-party payor settlements (payable) receivable:

June 30, 2002:

Cost Report Year	<u>Medicare</u>	<u>Medicaid</u>	<u>Total</u>
1999	\$ -	\$ 4,268	\$ 4,268
2000	(76,420)	20,289	(56,131)
2001	197,264	(31,998)	165,266
2002	<u>835,497</u>	<u>(37,435)</u>	<u>798,062</u>
Totals	<u>\$ 956,341</u>	<u>\$ (44,876)</u>	<u>\$ 911,465</u>

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

<u>June 30, 2001:</u> Cost Report Year	<u>Medicare</u>	<u>Medicaid</u>	<u>Total</u>
1995	\$ -	\$(209,228)	\$(209,228)
1996	-	14,355	14,335
1997	-	2,716	2,716
1998	-	(89,292)	(89,292)
1999	(39,905)	32,078	(7,827)
2000	(50,000)	(67,306)	(117,306)
2001	<u>648,013</u>	<u>100,372</u>	<u>748,385</u>
Totals	<u>\$ 558,108</u>	<u>\$(216,305)</u>	<u>\$ 341,803</u>

Note 13. Professional Liability Risk

The Hospital Service District participates in the Louisiana Patient's Compensation Fund established by the State of Louisiana to provide medical professional coverage to healthcare providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 for which the Hospital is at risk. The Hospital Service District belongs to the Louisiana Hospital Association Trust Fund, which covers the majority of this \$100,000 liability. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limiting the Patient's Compensation Fund's exposure to \$400,000 per occurrence.

Note 14. Commitments and Contingencies

The Hospital Service District evaluates contingencies based upon the best available evidence. The Hospital Service District believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the Hospital Service District's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

The Hospital Service District is contingently liable for losses from professional and general liability not underwritten by the Louisiana Patient's Compensation Fund.



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To the Board of Commissioners
Acadia-St. Landry Hospital Service District
Church Point, Louisiana

Our audits were made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis of the general purpose unit financial statements rather than to present the financial position, results of operations, and cash flows of the Hospital Service District. The supplementary information has been subjected to the auditing procedures applied in the audits of the general purpose financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general purpose financial statements taken as a whole.

Broussard, Poche', Lewis & Breau, L.L.P.

Crowley, Louisiana
December 12, 2002

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James H. Breau, CPA 1987
Erma R. Walton, CPA 1988
George A. Lewis, CPA* 1992
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Rodney L. Savoy, CPA* 1996
Larry G. Broussard, CPA* 1996
Lawrence A. Cramer, CPA* 1999
Michael P. Crochet, CPA* 1999

Members of American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants

* A Professional Accounting Corporation.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

SCHEDULE OF PATIENT SERVICE REVENUES
Years Ended June 30, 2002 and 2001

	2002	2001
	<u> </u>	<u> </u>
Gross patient direct services	\$ 10,078,907	\$ 9,851,510
	<u> </u>	<u> </u>
Less:		
Contractual allowances	\$ (2,393,838)	\$ (3,091,248)
Discounts	(213,693)	(143,181)
	<u> </u>	<u> </u>
Total contractual allowances and discounts	\$ (2,607,531)	\$ (3,234,429)
	<u> </u>	<u> </u>
Net patient service revenue	\$ 7,471,376	\$ 6,617,081
	<u> </u>	<u> </u>

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

SCHEDULES OF OTHER OPERATING REVENUES

Years Ended June 30, 2002 and 2001

	2002	2001
	<hr/>	<hr/>
Cafeteria	\$ 12,530	\$ 12,524
Vending machine commissions	1,934	2,260
Recovery of bad debts	42,681	40,448
Rent income	54,316	64,306
Donations	12,248	-
Settlement on Pulmonary Unit	-	152,547
Miscellaneous	11,292	16,235
	<hr/>	<hr/>
Total other operating revenues	<u>\$ 135,001</u>	<u>\$ 288,320</u>

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ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
SCHEDULE OF OPERATING REVENUES AND EXPENSES
Years Ended June 30, 2002 and 2001

	2002	2001
Direct operating revenue	\$ 10,078,907	\$ 9,851,510
Direct operating expenses	5,882,747	5,263,223
Excess of direct operating revenues over direct operating expenses	\$ 4,196,160	\$ 4,588,287
Contractual allowances and discounts	2,607,531	3,234,429
Net excess of direct operating revenues over direct operating expenses	\$ 1,588,629	\$ 1,353,858
General operating expenses:		
General services	\$ 509,655	\$ 552,814
Fiscal and administration	1,352,392	1,192,172
Total general operating expenses	\$ 1,862,047	\$ 1,744,986
Other operating revenues:		
Ad valorem taxes	\$ 172,377	\$ 140,211
Other operating revenues	135,001	288,320
Total other operating revenues	\$ 307,378	\$ 428,531
Other operating expenses:		
Interest expense	\$ 3,672	\$ 1,386
Depreciation and amortization	223,531	191,038
Provision for uncollectible accounts	433,175	439,068
Total other operating expenses	\$ 660,378	\$ 631,492
Deficiency of operating revenues over operating expenses	\$ (626,418)	\$ (594,089)

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

SCHEDULE OF DEPARTMENTAL DIRECT
OPERATING REVENUES AND EXPENSES
Years Ended June 30, 2002 and 2001

	Inpatient Revenues		Outpatient Revenues	
	2002	2001	2002	2001
Direct services:				
Anesthesiology	\$ -	\$ 407	\$ 634	\$ 672
Central Supply	217,753	151,046	111,277	237,729
CT Scan	69,281	104,875	235,720	253,571
Daily patient services	664,230	665,030	-	-
Electrocardiology	32,280	38,390	39,892	51,428
Emergency room	19,256	16,841	150,239	143,496
Emergency room physician	5,854	4,481	199,858	196,165
Health and fitness center	-	-	32,596	36,601
Home health	-	-	54	5
Intravenous therapy	6,929	64,077	2,218	7,189
Kidmed	-	-	5,870	9,812
Laboratory	284,855	183,860	764,472	819,023
Nuclear medicine	8,930	15,256	21,280	14,100
Occupational therapy	7,180	11,958	59,122	80,618
Operating room & Gastro	34,228	26,378	158,150	162,015
Other	727	534	1,007	1,308
Pharmacy	791,468	803,133	147,524	111,619
Physical therapy	31,617	30,570	184,577	184,063
Physician office	-	-	-	-
Psychiatric therapy group	13,775	5,220	1,648,490	1,511,690
Psychiatric unit	2,854,578	2,658,977	5,179	12,558
Radiology	47,574	53,962	235,901	203,211
Respiratory therapy	137,869	361,421	20,704	36,300
Clinic	73,187	74,265	421,439	213,888
Speech therapy	10,566	7,965	13,647	7,248
Stress test	400	400	20,240	6,960
Ultrasound	60,600	54,640	225,680	216,555
Total direct services	\$ 5,373,137	\$ 5,333,686	\$ 4,705,770	\$ 4,517,824

Total Direct Revenues		Direct Operating Expenses		Excess (Deficiency) of Direct Revenues Over Direct Operating Expenses	
2002	2001	2002	2001	2002	2001
\$ 634	\$ 1,079	\$ 1,420	\$ 5,549	\$ (786)	\$ (4,470)
329,030	388,775	100,973	88,436	228,057	300,339
305,001	358,446	72,259	82,279	232,742	276,167
664,230	665,030	575,444	566,451	88,786	98,579
72,172	89,818	7,943	16,801	64,229	73,017
169,495	160,337	31,816	15,928	137,679	144,409
205,712	200,646	471,334	392,923	(265,622)	(192,277)
32,596	36,601	45,538	49,413	(12,942)	(12,812)
54	5	8,444	480	(8,390)	(475)
9,147	71,266	335	7,859	8,812	63,407
5,870	9,812	410	472	5,460	9,340
1,049,327	1,002,883	474,739	418,724	574,588	584,159
30,210	29,356	13,725	30,772	16,485	(1,416)
66,302	92,576	32,885	50,977	33,417	41,599
192,378	188,393	21,153	41,090	171,225	147,303
1,734	1,842	-	-	1,734	1,842
938,992	914,752	421,712	289,805	517,280	624,947
216,194	214,633	118,248	120,118	97,946	94,515
-	-	6,877	6,275	(6,877)	(6,275)
1,662,265	1,516,910	1,160,718	1,104,065	501,547	412,845
2,859,757	2,671,535	1,499,528	1,385,517	1,360,229	1,286,018
283,475	257,173	121,451	124,912	162,024	132,261
158,573	397,721	86,729	78,229	71,844	319,492
494,626	288,153	403,345	217,513	91,281	70,640
24,213	15,213	11,030	6,760	13,183	8,453
20,640	7,360	547	524	20,093	6,836
286,280	271,195	194,144	161,351	92,136	109,844
<u>\$ 10,078,907</u>	<u>\$ 9,851,510</u>	<u>\$ 5,882,747</u>	<u>\$ 5,263,223</u>	<u>\$ 4,196,160</u>	<u>\$ 4,588,287</u>

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

**SCHEDULE OF DEPARTMENTAL DIRECT
AND GENERAL OPERATING EXPENSES
Years Ended June 30, 2002 and 2001**

	Salaries		Professional Fees	
	2002	2001	2002	2001
Direct services:				
Anesthesiology	\$ -	\$ -	\$ -	\$ 4,309
Central supply	36,359	36,714	-	-
CT Scan	-	-	535	2,469
Daily patient services	469,545	481,742	63,341	51,903
Electrocardiology	-	-	4,413	8,471
Emergency room	-	-	-	-
Emergency room physicians	338,914	261,588	132,420	131,335
Health and fitness center	42,864	41,770	1,409	5,738
Home health	-	480	-	-
Intravenous therapy	-	-	-	-
Kidmed	-	-	-	-
Laboratory	179,590	138,748	125,425	122,265
Nuclear medicine	-	-	11,440	29,240
Occupational therapy	-	-	32,885	50,930
Operating room & Gastro	-	-	8,400	10,500
Pharmacy	139,301	86,030	-	-
Physical therapy	-	-	118,128	118,770
Physician office	-	-	-	-
Psychiatric therapy group	13,660	8,879	-	-
Psychiatric unit	13,488	-	3,615	3,200
Radiology	87,423	85,722	963	-
Respiratory therapy	66,015	60,636	-	-
Health clinic	374,638	203,015	4,713	5,460
Speech therapy	-	-	11,030	6,760
Stress test	-	-	-	-
Ultrasound	-	-	193,940	161,335
Total direct services	\$ 1,761,797	\$ 1,405,324	\$ 712,657	\$ 712,685
General services:				
Dietary	\$ 68,361	\$ 64,805	\$ 6,490	\$ 6,240
Housekeeping	54,800	61,988	-	-
Laundry and linen	-	-	-	-
Plant engineering	46,997	45,082	-	-
Total general services	\$ 170,158	\$ 171,875	\$ 6,490	\$ 6,240
Subtotals forward	\$ 1,931,955	\$ 1,577,199	\$ 719,147	\$ 718,925

Other Expenses		Total	
2002	2001	2002	2001
\$ 1,420	\$ 1,240	\$ 1,420	\$ 5,549
64,614	51,722	100,973	88,436
71,724	79,810	72,259	82,279
42,558	32,806	575,444	566,451
3,530	8,330	7,943	16,801
31,816	15,928	31,816	15,928
-	-	471,334	392,923
1,265	1,905	45,538	49,413
8,444	-	8,444	480
335	7,859	335	7,859
410	472	410	472
169,724	157,711	474,739	418,724
2,285	1,532	13,725	30,772
-	47	32,885	50,977
12,753	30,590	21,153	41,090
282,411	203,775	421,712	289,805
120	1,348	118,248	120,118
6,877	6,275	6,877	6,275
1,147,058	1,093,421	1,160,718	1,104,065
1,482,425	1,384,082	1,499,528	1,387,282
33,065	39,190	121,451	124,912
20,714	17,593	86,729	78,229
23,994	9,038	403,345	217,513
-	-	11,030	6,760
547	524	547	524
204	16	194,144	161,351
<u>\$ 3,408,293</u>	<u>\$ 3,145,214</u>	<u>\$ 5,882,747</u>	<u>\$ 5,264,988</u>
\$ 95,247	\$ 92,135	\$ 170,098	\$ 163,180
16,554	20,938	71,354	82,926
25,007	23,738	25,007	23,738
196,199	237,888	243,196	282,970
<u>\$ 333,007</u>	<u>\$ 374,699</u>	<u>\$ 509,655</u>	<u>\$ 552,814</u>
<u>\$ 3,741,300</u>	<u>\$ 3,519,913</u>	<u>\$ 6,392,402</u>	<u>\$ 5,817,802</u>

(continued)

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

**SCHEDULE OF DEPARTMENTAL DIRECT
AND GENERAL OPERATING EXPENSES
Years Ended June 30, 2002 and 2001**

	Salaries		Professional Fees	
	2002	2001	2002	2001
Subtotals forwarded	\$ 1,931,955	\$ 1,577,199	\$ 719,147	\$ 718,925
Financial and administrative services:				
Accounting	\$ 31,908	\$ 25,285	\$ -	\$ -
Administration	87,246	84,963	39,962	34,977
Business office	166,624	165,337	-	-
Medical records	78,963	82,074	-	-
Payroll taxes	-	-	-	-
Employee benefits	-	-	-	-
Physician recruitment	-	-	10,000	125
Other general and administrative expenses	93,614	84,770	16,890	19,211
Total financial and administrative services	\$ 458,355	\$ 442,429	\$ 66,852	\$ 54,313
Total direct operating expenses	\$ 2,390,310	\$ 2,019,628	\$ 785,999	\$ 773,238

Other Expenses		Total	
2002	2001	2002	2001
<u>\$ 3,741,300</u>	<u>\$ 3,519,913</u>	<u>\$ 6,392,402</u>	<u>\$ 5,816,037</u>
\$ 1,778	\$ 1,606	\$ 33,686	\$ 26,891
25,371	23,973	152,579	143,913
42,805	41,964	209,429	207,301
13,090	8,455	92,053	90,529
158,144	144,534	158,144	144,534
234,809	222,824	234,809	222,824
-	-	10,000	125
351,188	252,074	461,692	356,055
<u>827,185</u>	<u>695,430</u>	<u>1,352,392</u>	<u>1,192,172</u>
<u>\$ 4,568,485</u>	<u>\$ 4,215,343</u>	<u>\$ 7,744,794</u>	<u>\$ 7,008,209</u>

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

SCHEDULES OF BOARD FEES
Years Ended June 30, 2002 and 2001

<u>Board Members</u>	<u>2002</u>	<u>2001</u>
Philip Smith	\$440	\$440
Marilyn Scott	\$480	\$400
George Brouillette	\$480	\$440
John LeJeune	\$440	\$440
Ward Bellard, M.D.	\$480	\$480
Paul Matte	\$400	\$480

The schedule of compensation paid to the Board of Commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Legislature. In accordance with Louisiana Revised Statute 46:1053(C)(2)(a), the Hospital Service District's Board Members receive \$40 for each day of attendance at meetings of the commission, not to exceed twelve meetings per year.



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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners
Acadia-St. Landry Hospital Service District
Church Point, Louisiana

We have audited the general purpose financial statements of the Acadia-St. Landry Hospital Service District as of and for the year ended June 30, 2002, and have issued our report thereon dated December 12, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Acadia-St. Landry Hospital Service District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as items 2002-2, 2002-3, 2002-4, 2002-8, 2002-9, 2002-10 and 2002-12.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Acadia-St. Landry Hospital Service District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Acadia-St. Landry Hospital Service District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2002-1, 2002-5, 2002-6, 2002-7 and 2002-11.

To the Board of Commissioners
Acadia-St. Landry Hospital Service District

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe that the reportable conditions described above are material weaknesses.

This report is intended solely for the information and use of the Acadia-St. Landry Hospital Service District's management and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Broussard, Poche, Lewis & Broussard, L.L.P.

Crowley, Louisiana
December 12, 2002

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2002

We have audited the general purpose financial statements of Acadia-St. Landry Hospital Service District as of and for the year ended June 30, 2002, and have issued our report thereon dated December 12, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the general purpose financial statements as of June 30, 2002, resulted in an unqualified opinion.

Section I. Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ☐ Yes ☒ No Reportable Conditions ☒ Yes ☐ No

Compliance

Compliance Material to Financial Statements ☐ Yes ☒ No

Management Report ☐ Yes ☒ No

b. Federal Awards

The Hospital Service District does not have any federal awards.

Section II. Financial Statement Findings

2002-1 – Controls Over Disbursements

Finding: During the course of our audit, we noted that there were instances where the supporting documentation for a disbursement (i.e., the purchase order, check request, or invoice) did not have evidence of proper approval by the appropriate department head or Administrator.

Cause: Oversight and proper internal control procedures not followed.

Recommendation: In order to improve controls over disbursements, we recommend that all purchase orders, check requests, or invoices have proper approval by the appropriate department head or Administrator before disbursement is made.

Response: The Hospital Service District will implement procedures that will require all purchase orders, check requests, or invoices have proper approval by the appropriate department head or the Administrator before disbursement is made.

Questioned Costs: \$ -0-

2002-2 – Transactions with Related Parties

Finding: The Hospital Service District had transactions with two businesses in which two Board Members have a personal economic interest. R.S. 42:1112 prohibits transactions with a business in which an appointed member of the board has a personal substantial economic interest.

Cause: Oversight

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year Ended June 30, 2002

Section II. Financial Statement Findings (continued)

Recommendation: The Hospital Service District should cease transactions with the two businesses in which the board members have a personal economic interest.

Response: The Hospital Service District has ceased transactions with the two businesses in which Board Members have a personal economic interest and the board members have self-disclosed these transactions to the ethics board.

Questioned Costs: \$ -0-

2002-3 – W-2 Reporting for Board Member Per Diems

Finding: The Hospital Service District did not report per diem amounts paid to Board Members on a W-2 for year-end reporting. Internal Revenue Code Section 31.3401(c)-1 states that officers whether elected or appointed are included in the definition of an employee. By this definition, these per diems paid to Board Members are subject to payroll withholdings.

Cause: Oversight

Recommendation: The Hospital Service District should start subjecting the per diem amounts paid to Board Members to payroll withholding and report these amounts on a W-2.

Response: The Hospital Service District will start subjecting the per diem paid to Board Members to payroll withholding and begin reporting these amounts on a W-2 effective January 2003.

Questioned Costs: \$ -0-

2002-4 – Disposal of Equipment and Fixed Asset Management

Finding: The Hospital Service District does not have a formal policy on the disposal of surplus equipment, such as holding public auctions or receiving bids on these items. The Hospital Service District also is not maintaining accurate records on the disposal of surplus equipment as required by R.S. 24:515(B)(1). R.S. 24:515(B)(1) provides that records on the disposition shall include the asset disposed of, the amount received, the purpose of the disposition, and the recipient of the disposed equipment.

Cause: Oversight and no formal policy in place.

Recommendation: The Hospital Service District needs to implement a policy on the disposal of surplus equipment, such as holding public auctions or receiving bids for these items. The Hospital Service District also needs to improve on the fixed asset recordkeeping as required by R.S. 24:515(B)(1). This can be accomplished by implementing a threshold for capitalization of fixed assets and starting a numbered tag system to keep track of where fixed assets are located in the facility.

Response: The Hospital Service District will implement a policy on the disposal of surplus equipment and the recordkeeping as required by R.S. 24:515(B)(1). The Hospital Service District will also implement a threshold for capitalization of fixed assets and a numbered tag system in order to keep track of the Hospital Service District's fixed asset inventory.

Questioned Costs: \$ -0-

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year Ended June 30, 2002

Section II. Financial Statement Findings (continued)

2002-5 – Administrator Paid Time Off (PTO) Accrual

Finding: We noted that there were 20.5 hours of PTO that were added to the Administrator's PTO bank for overtime worked that was not within the Hospital Service District's employee benefit policy.

Cause: Employee benefit policy not followed.

Recommendation: We recommend that the Hospital Service District remove from the Administrator's PTO bank the 20.5 hours that were added to his PTO bank in order to make the Hospital Service District whole.

Response: The 20.5 hours of PTO that were added to the Administrator's PTO bank were removed as of the release date this report.

Questioned Costs: \$ -0-

2002-6 – Additional Paid Time Off (PTO) Accrual

Finding: We noted that there were 24 additional PTO hours accrued to all employees once a year and an additional 8 PTO hours accrued to certain employees who worked at the Buggy Festival. These additional PTO hour accruals are not within the Hospital Service District's employee benefit policy.

Cause: Employee benefit policy not followed.

Recommendation: We recommend that the Hospital Service District discontinue the additional accrual of PTO hours to employees unless it is included in the Hospital Service District's employee benefit policy.

Response: The Hospital Service District will discontinue the additional accrual of PTO hours to employees and follow the Hospital Service District's employee benefit policy.

Questioned Costs: \$ -0-

2002-7 – Salaried Employee Time Records

Finding: We noted that the time records for salaried employees of the Hospital Service District consistently report 40 hours per week from 8:00 a.m. to 5:00 p.m. or 9:00 a.m. to 5:00 p.m., rather than the actual time that these salaried employees were working on Hospital business. There was also a lack of proper approval documented on these time records. Accurate time records are needed for all employees of the Hospital Service District, especially for salaried employees with contractual obligations.

Cause: No formal policy and lack of approval process.

Recommendation: We recommend that the Hospital Service District implement a policy that all employees, including salaried employees, complete accurate time records of worked hours and that all these time records have appropriate approval for control purposes.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year Ended June 30, 2002

Section II. Financial Statement Findings (continued)

Response: The Hospital Service District will implement a policy that all employees are required to complete accurate time records of worked hours and that all time records have appropriate approval for control purposes.

Questioned Costs: \$ -0-

2002-8 – Public Bid Law

Finding: The Hospital Service District did not comply with the public bid law (R.S. 38:2212) when entering into three separate capital leases in which ownership of the leased equipment is transferred to the Hospital Service District at the end of the lease term, or contains an option to purchase the leased equipment at a nominal price.

Cause: Oversight

Recommendation: *The Hospital Service District needs to comply with the public bid law (R.S. 38:2212) when entering into capital leases for equipment in the future.*

Response: The Hospital Service District will comply with the public bid law (R.S. 38:2212) in the future when entering into capital leases for equipment.

Questioned Costs: \$ -0-

2002-9 – Leases

Finding: In accordance with R.S. 39:1410.60, all leases require approval from the State Bond Commission in which debt is incurred. The State Bond Commission does not consider leases of movables or installment purchases to be debt if the lease or installment purchase contains a non-appropriation clause, and does not contain an anti-substitution clause or penalty. The Hospital Service District entered into several capital and operating leases for movable equipment during the year in which R.S. 39:1410.60 was not complied with due to the fact that these leases did not contain a non-appropriation clause nor did the Hospital Service District receive approval from the State Bond Commission.

Cause: Oversight

Recommendation: In the future, The Hospital Service District needs to comply with R.S. 39:1410.60 when entering into leases or installment purchases for movable equipment. The Hospital Service District should renegotiate the leases it entered into in order to include a non-appropriation clause and remove the penalty clause to comply with R.S. 39:1410.60.

Response: The Hospital Service District, in the future, will comply with R.S. 39:1410.60 when entering into leases or installment purchases for movable equipment. The Hospital Service District will also try to renegotiate the current leases it has entered into in order to comply with R.S. 39:1410.60.

Questioned Costs: \$ -0-

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year Ended June 30, 2002

Section II. Financial Statement Findings (continued)

2002-10 – Expenditures

Finding: During the course of our audit, we noted that management reimbursed a Board Member and two employed physicians a total of \$979 for expenditures that were not related to Hospital business and \$2,500 that did not have adequate documentation. Article VII, Section 14(A) of the Louisiana Constitution of 1974 provides that the funds, credit, property, or things of value of the State or of any political subdivision shall not be loaned, pledged, or donated to or for any person.

Cause: Oversight and adequate supporting documentation for expenditures not obtained.

Recommendation: We recommend that the Hospital Service District demand repayment of the \$979 for the expenditure not related to Hospital business. The Hospital Service District should also obtain adequate documentation of the \$2,500 transaction, or otherwise demand repayment for this expenditure. We also recommend that policies be implemented to *ensure that future expenditures are related to Hospital business.*

Response: The Hospital Service District has been reimbursed \$752 by the Board Member for the expenditure not related to Hospital business as of the release date of this report. The Hospital Service District will also demand repayment of the remaining \$227 from the employed physician. The Hospital Service District will also attempt to obtain adequate supporting documentation for the \$2,500 expenditure. If the Hospital Service District is unable to obtain adequate supporting documentation, a demand for repayment will be made from the employed physician. Policies will be implemented to ensure that all expenditures are related to Hospital business before disbursements are made.

Questioned Costs: \$ 3,479

2002-11 – Subsequent Expenditures

Finding: During the course of our audit, we noted there were transactions subsequent to the fiscal year being audited, in which management reimbursed an employed physician \$3,000 for CME expenses when there was no adequate supporting documentation. This employed physician was also paid 40 hours of regular pay for attending CME education, in which the employed physician contends he took a self-study CME course. However, no certification of completion of the self-study course has been obtained as of the issue date of the report.. Article VII, Section 14(A) of the Louisiana Constitution of 1974 provides that the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person.

Cause: Oversight and adequate supporting documentation for expenditures not obtained.

Recommendation: We recommend that the Hospital Service District obtain adequate supporting documentation for the \$3,000 CME expense reimbursement or otherwise demand repayment of this disbursement from the employed physician. The Hospital Service District should implement policies to ensure that future expenditures have adequate supporting documentation of Hospital business before disbursement is made. We recommend that the Hospital Service District also obtain certification of completion on the self-study CME course when it is obtained or otherwise demand repayment of this disbursement from the employed physician. In the future, the Hospital Service District will implement policies in which self-study CME will be allowed only when certification is obtained.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year Ended June 30, 2002

Section II. Financial Statement Findings (continued)

Response: The Hospital Service District will attempt to obtain adequate documentation for the \$3,000 CME expense reimbursement or otherwise demand payment of this disbursement from the employed physician. Policies will be implemented to ensure that all expenditures are related to Hospital business before disbursements are made. The Hospital Service District will also attempt to obtain certification of completion of the self-study CME course or otherwise demand repayment from the employed physician. In the future, the Hospital Service District will implement policies in which self-study CME will be allowed only when certification is obtained.

Questioned Costs: \$ 5,326

2002-12 – Gifts

Finding: During the course of our audit, we noted management had expenditures for the purchase of flowers or gifts for employees and other individuals. Article VII, Section 14(A) of the Louisiana Constitution of 1974 provides that the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person.

Cause: Oversight

Recommendation: We recommend that management discontinue the purchase of flowers or gifts for employees or other individuals.

Response: Management will discontinue the purchase of flowers or gifts for employees or other individuals.

Questioned Costs: \$ 3,235

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS

Year Ended June 30, 2002

Section I. Internal Control and Compliance Material to the Financial Statements

2001-1 – Controls over disbursements

Finding: During the course of the audit, we noted that the use of purchase orders, approved check requests or approval on invoices was not done for some transactions.

Recommendation: In order to improve controls over disbursements, we recommend that the use of purchase orders, approved check requests or an approval on invoices be done for every disbursement.

Current status: NOT RESOLVED – There were instances found where the purchase order, check request, or invoice was not approved by the department head or Administrator. This finding is also included in the audit report for the year ended June 30, 2002, and described in 2002-1.

2001-2 – Collateral pledged to secure deposits

Finding: At June 30, 2001, collateral pledged to secure deposits in which the Hospital Service District invested in a financial institution was inadequate by approximately \$34,000. R.S. 39:1225 requires that the amount of security shall at all times be equal to one hundred percent of the amount on deposit.

Recommendation: The Hospital Service District should periodically ensure that adequate collateral is pledged to secure deposits.

Current status: RESOLVED – Adequate collateral was pledged to secure deposits of the Hospital Service District in Fiscal Year 2002.

2001-3 – Publication of minutes

Finding: The minutes of the Board of Commissioners are not published in the official journal of the Hospital Service District as required by R.S. 43:171.

Recommendation: The minutes of the Board of Commissioners should be published in the official journal of the Hospital Service District as required by R.S. 43:171.

Current status: RESOLVED – The minutes of the Board of Commissioners are being published in the official journal of the Hospital Service District effective with the April 2002 Board of Commissioners meeting.

Section II. Internal Control and Compliance Material to Federal Awards

The prior years report did not include any federal awards.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

Year Ended June 30, 2002

Section III. Management Letter

2001-4 – Executive Sessions

Finding: The Board of Commissioners' minutes do not adequately document the vote of the Board for the purpose of going into executive session, and/or fail to document the reasons for the executive session which may be a violation per R.S. 42:6.1 and R.S. 46:1073.

Recommendation: We recommend that the Hospital Service District document in the minutes the reason for the executive session and the vote of the Board for the purpose of going into executive session as per R.S. 42:6.1, and R.S. 46:1073.

Current Status: RESOLVED – The Hospital Service District is complying with R.S. 42:6.1 and R.S. 46:1073.

ACADIA-ST. LANDRY HOSPITAL

810 SOUTH BROADWAY

CHURCH POINT, LOUISIANA 70525

(318) 684-5435

FAX: (318) 684-5449

MANAGEMENTS CORRECTIVE ACTION PLAN

Year Ended June 30, 2002

Section I. Internal Control and Compliance Material to the Financial Statements

2002-1 – Controls Over Disbursements

Finding: During the course of our audit, we noted that there were instances where the supporting documentation for a disbursement (i.e., the purchase order, check request, or invoice) did not have evidence of proper approval by the appropriate department head or Administrator.

Recommendation: In order to improve controls over disbursements, we recommend that all purchase orders, check requests, or invoices have proper approval by the appropriate department head or Administrator before disbursement is made.

Response: The Hospital Service District will implement procedures that will require all purchase orders, check requests, or invoices have proper approval by the appropriate department head or the Administrator before disbursement is made.

Responsible party: Judy Young

2002-2 – Transactions with Related Parties

Finding: The Hospital Service District had transactions with two businesses in which two Board Members have a personal economic interest. R.S. 42:1112 prohibits transactions with a business in which an appointed member of the board has a personal substantial economic interest.

Recommendation: The Hospital Service District should cease transactions with the two businesses in which the board members have a personal economic interest.

Response: The Hospital Service District has ceased transactions with the two businesses in which Board Members have a personal economic interest and the board members have self-disclosed these transactions to the ethics board.

Responsible party: Judy Young

2002-3 – W-2 Reporting for Board Member Per Diems

Finding: The Hospital Service District did not report per diem amounts paid to Board Members on a W-2 for year-end reporting. Internal Revenue Code Section 31.3401(c)-1 states that officers whether elected or appointed are included in the definition of an employee. By this definition, these per diems paid to Board Members are subject to payroll withholdings.

Recommendation: The Hospital Service District should start subjecting the per diem amounts paid to Board Members to payroll withholding and report these amounts on a W-2.

Response: The Hospital Service District will start subjecting the per diem paid to Board Members to payroll withholding and begin reporting these amounts on a W-2 effective January 2003.

Responsible party: Judy Young

MANAGEMENTS CORRECTIVE ACTION PLAN

Year Ended June 30, 2002
(continued)

Section I. Internal Control and Compliance Material to the Financial Statements (continued)

2002-4 – Disposal of Equipment and Fixed Asset Management

Finding: The Hospital Service District does not have a formal policy on the disposal of surplus equipment, such as holding public auctions or receiving bids on these items. The Hospital Service District also is not maintaining accurate records on the disposal of surplus equipment as required by R.S. 24:515(B)(1). R.S. 24:515(B)(1) provides that records on the disposition shall include the asset disposed of, the amount received, the purpose of the disposition, and the recipient of the disposed equipment.

Recommendation: The Hospital Service District needs to implement a policy on the disposal of surplus equipment, such as holding public auctions or receiving bids for these items. The Hospital Service District also needs to improve on the fixed asset recordkeeping as required by R.S. 24:515(B)(1). This can be accomplished by implementing a threshold for capitalization of fixed assets and starting a numbered tag system to keep track of where fixed assets are located in the facility.

Response: The Hospital Service District will implement a policy on the disposal of surplus equipment and the recordkeeping as required by R.S. 24:515(B)(1). The Hospital Service District will also implement a threshold for capitalization of fixed assets and a numbered tag system in order to keep track of the Hospital Service District's fixed asset inventory.

Responsible party: Judy Young

2002-5 – Administrator Paid Time Off (PTO) Accrual

Finding: We noted that there were 20.5 hours of PTO that were added to the Administrator's PTO bank for overtime worked that was not within the Hospital Service District's employee benefit policy.

Recommendation: We recommend that the Hospital Service District remove from the Administrator's PTO bank the 20.5 hours that were added to his PTO bank in order to make the Hospital Service District whole.

Response: The 20.5 hours of PTO that were added to the Administrator's PTO bank were removed as of the release date this report.

Responsible party: Judy Young

2002-6 – Additional Paid Time Off (PTO) Accrual

Finding: We noted that there were 24 additional PTO hours accrued to all employees once a year and an additional 8 PTO hours accrued to certain employees who worked at the Buggy Festival. These additional PTO hour accruals are not within the Hospital Service District's employee benefit policy.

Recommendation: We recommend that the Hospital Service District discontinue the additional accrual of PTO hours to employees unless it is included in the Hospital Service District's employee benefit policy.

MANAGEMENTS CORRECTIVE ACTION PLAN

Year Ended June 30, 2002
(continued)

Section I. Internal Control and Compliance Material to the Financial Statements (continued)

Response: The Hospital Service District will discontinue the additional accrual of PTO hours to employees and follow the Hospital Service District's employee benefit policy.

Responsible party: Judy Young

2002-7 – Salaried Employee Time Records

Finding: We noted that the time records for salaried employees of the Hospital Service District consistently report 40 hours per week from 8:00 a.m. to 5:00 p.m. or 9:00 a.m. to 5:00 p.m., rather than the actual time that these salaried employees were working on Hospital business. There was also a lack of proper approval documented on these time records. Accurate time records are needed for all employees of the Hospital Service District, especially for salaried employees with contractual obligations.

Recommendation: We recommend that the Hospital Service District implement a policy that all employees, including salaried employees, complete accurate time records of worked hours and that all these time records have appropriate approval for control purposes.

Response: The Hospital Service District will implement a policy that all employees are required to complete accurate time records of worked hours and that all time records have appropriate approval for control purposes.

Responsible party: Judy Young

2002-8 – Public Bid Law

Finding: The Hospital Service District did not comply with the public bid law (R.S. 38:2212) when entering into three separate capital leases in which ownership of the leased equipment is transferred to the Hospital Service District at the end of the lease term, or contains an option to purchase the leased equipment at a nominal price.

Recommendation: The Hospital Service District needs to comply with the public bid law (R.S. 38:2212) when entering into capital leases for equipment in the future.

Response: The Hospital Service District will comply with the public bid law (R.S. 38:2212) in the future when entering into capital leases for equipment.

Responsible party: Judy Young

2002-9 – Leases

Finding: In accordance with R.S. 39:1410.60, all leases require approval from the State Bond Commission in which debt is incurred. The State Bond Commission does not consider leases of movables or installment purchases to be debt if the lease or installment purchase contains a non-appropriation clause, and does not contain an anti-substitution clause or penalty. The Hospital Service District entered into several capital and operating leases for movable equipment during the year in which R.S. 39:1410.60 was not complied with due to the fact that these leases did not contain a non-appropriation clause nor did the Hospital Service District receive approval from the State Bond Commission.

MANAGEMENTS CORRECTIVE ACTION PLAN

Year Ended June 30, 2002
(continued)

Section I. Internal Control and Compliance Material to the Financial Statements (continued)

Recommendation: In the future, The Hospital Service District needs to comply with R.S. 39:1410.60 when entering into leases or installment purchases for movable equipment. The Hospital Service District should *renegotiate the leases it entered into* in order to include a non-appropriation clause and remove the penalty clause to comply with R.S. 39:1410.60.

Response: The Hospital Service District, in the future, will comply with R.S. 39:1410.60 when entering into leases or installment purchases for movable equipment. The Hospital Service District will also try to renegotiate the current leases it has entered into in order to comply with R.S. 39:1410.60.

Responsible party: Judy Young

2002-10 – Expenditures

Finding: During the course of our audit, we noted that management reimbursed a Board Member and two employed physicians a total of \$979 for expenditures that were not related to Hospital business and \$2,500 that did not have adequate documentation. Article VII, Section 14(A) of the Louisiana Constitution of 1974 provides that the funds, credit, property, or things of value of the State or of any political subdivision shall not be loaned, pledged, or donated to or for any person.

Recommendation: We recommend that the Hospital Service District demand repayment of the \$979 for the expenditure not related to Hospital business. The Hospital Service District should also obtain adequate documentation of the \$2,500 transaction, or otherwise demand repayment for this expenditure. We also recommend that policies be implemented to ensure that future expenditures are related to Hospital business.

Response: The Hospital Service District has been reimbursed \$752 by the Board Member for the expenditure *not related to* Hospital business as of the release date of this report. The Hospital Service District will also demand repayment of the remaining \$227 from the employed physician. The Hospital Service District will also attempt to obtain adequate supporting documentation for the \$2,500 expenditure. If the Hospital Service District is unable to obtain adequate supporting documentation, a demand for repayment will be made from the employed physician. Policies will be implemented to ensure that all expenditures are related to Hospital business before disbursements are made.

Responsible party: Judy Young

2002-11 – Subsequent Expenditures

Finding: During the course of our audit, we noted there were transactions subsequent to the fiscal year being audited, in which management reimbursed an employed physician \$3,000 for CME expenses when there was no adequate supporting documentation. This employed physician was also paid 40 hours of regular pay for attending CME education, in which the employed physician contends he took a self-study CME course. However, no certification of completion of the self-study course has been obtained as of the issue date of the report.. Article VII, Section 14(A) of the Louisiana Constitution of 1974 provides that the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person.

MANAGEMENTS CORRECTIVE ACTION PLAN

Year Ended June 30, 2002

(continued)

Section I. Internal Control and Compliance Material to the Financial Statements (continued)

Recommendation: We recommend that the Hospital Service District obtain adequate supporting documentation for the \$3,000 CME expense reimbursement or otherwise demand repayment of this disbursement from the employed physician. The Hospital Service District should implement policies to ensure that future expenditures have adequate supporting documentation of Hospital business before disbursement is made. We recommend that the Hospital Service District also obtain certification of completion on the self-study CME course when it is obtained or otherwise demand repayment of this disbursement from the employed physician. In the future, the Hospital Service District will implement policies in which self-study CME will be allowed only when certification is obtained.

Response: The Hospital Service District will attempt to obtain adequate documentation for the \$3,000 CME expense reimbursement or otherwise demand payment of this disbursement from the employed physician. Policies will be implemented to ensure that all expenditures are related to Hospital business before disbursements are made. The Hospital Service District will also attempt to obtain certification of completion of the self-study CME course or otherwise demand repayment from the employed physician. In the future, the Hospital Service District will implement policies in which self-study CME will be allowed only when certification is obtained.

Responsible party: Judy Young

2002-12 – Gifts

Finding: During the course of our audit, we noted management had expenditures for the purchase of flowers or gifts for employees and other individuals. Article VII, Section 14(A) of the Louisiana Constitution of 1974 provides that the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person.

Recommendation: We recommend that management discontinue the purchase of flowers or gifts for employees or other individuals.

Response: Management will discontinue the purchase of flowers or gifts for employees or other individuals.

Responsible party: Judy Young

Section II: Internal Control and Compliance Material to the Federal Awards

The Hospital Service District does not have any federal awards.

Section III: Management Letter

This years report did not contain a management letter.